

## Message Text

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ACTION ARA-10

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R 151805Z APR 75

FM AMCONSUL PARAMARIBO

TO SECSTATE WASHDC 1982

INFO AMEMBASSY THE HAGUE

AMEMBASSY GEORGETOWN

AMEMBASSY SANTO DOMINGO

AMEMBASSY KINGSTON

AMCONSUL CURACAO

C O N F I D E N T I A L PARAMARIBO 170

E.O. 11652: GDS

TAGS: EMIN, EIND, NS

SUBJECT: GOS CRITICAL OF ALCOA RETRENCHMENT

REF: PARAMARIBO 062

1. THE RECENT ANNOUNCEMENT BY SURALCO, THE WHOLLY OWNED SUBSIDIARY OF ALCOA, THAT IT WOULD REDUCE BAUXITE PRODUCTION BY 800 THOUSAND TONS IN 1975 AND RELEASE ABOUT 400 WORKERS HAS STIRRED A SHARP REACTION IN THE GOVERNMENT, AMONG UNION LEADERSHIP, AND IN THE MEDIA. SHIPMENTS FOR 1974 TOTALLED 2,085,000 TONS, AND UNDER THE NEW LEVY AGREED LATE LAST YEAR THE CUT-BACK WOULD AMOUNT TO A LOSS OF ABOUT DOLS 8 MILLION IN EXPECTED REVENUE DURING 1975.

2. DEEPLY DISAPPOINTED, GOVERNMENT LEADERS CONVEY A SENSE OF FRUSTRATION, EVEN BETRAYAL, OVER FACT THAT THE INCREASED RETURNS SO RECENTLY NEGOTIATED ARE TO BE HEAVILY REDUCED THROUGH UNEXPECTEDLY STEEP DROP IN DEMAND FOR ALUMINUM. DURING  
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LUNCHEON HOSTED FOR VISITING AMERICAN OFFICIAL BOTH MINDEVELOP-

MENT CAMBRIDGE AND DEPUTY MINPRESIDENT VAN GENDEREN EXPRESSED ANGER AND SUSPICION OVER CUT-BACK. "WE CANNOT PERMIT PITTSBURGH AND MULTI-NATIONALS TO MAKE UNILATERAL DECISIONS AFFECTING WELFARE OF SURINAM" SAID CAMBRIDGE, IN REPLY OUR ARGUMENTS THAT RETRENCHMENT RESULT OF ECONOMIC FORCE MAJEURE. VAN GENDEREN WONDERED, ILLOGICALLY, IF REDUCTION REFLECTED ALCOA DESIRE "SHOW MUSCLE" IN LONG-RANGE PREPARATION FOR LATE-1975 REVIEW OF CURRENT REVENUE AGREEMENT.

3. BOTH MINISTERS EXPRESSED DISBELIEF SURALCO UNABLE SOAK UP EXCESS WORKERS IN ROAD-BUILDING PROJECT (REFTEL) OWING TECHNICAL INCAPACITY, CITING ROADS COMPANY BUILT TO PARANAM SMELTER AND BEYOND TO HYDROELECTRIC DAM AT AFOBAKA. (SURALCO HAD EXPLAINED THAT TERRAIN OVER WHICH NEW ROADS PROPOSED MUCH MORE DIFFICULT AND THAT EQUIPMENT NO LONGER AVAILABLE.)

4. LATER, LABORMIN FRIJMSUM, WHO HAS BEEN WRESTLING WITH PROBLEM OF REDUNDANT WORKERS, ECHOED OTHER MINISTERS AND REMARKED TO ME THAT, "GOS CAN'T ACCEPT WITHOUT INVESTIGATION DECISIONS HANDED DOWN FROM OUTSIDE THE COUNTRY."

5. MEANWHILE LABOR SPOKESMEN QUOTED AS DEMANDING GOS TAKE OVER MAJORITY INTEREST IN SURALCO, AND CHAIRMAN OF USUALLY MODERATE MOEDERBOND, BIGGEST LABOR CONFEDERATION, SAID AT PRESS CONFERENCE "THAT IT NOW CLEARLY APPARENT HOW DANGEROUS IT IS TO LEAVE AN INDUSTRY WHICH IS SO ESSENTIAL TO ECONOMIC LIFE OF COUNTRY IN HANDS OF FOREIGNERS." CHAIRMAN CYRIL DAAL WENT ON TO COMMENT ON SURALCO'S ALLEGED LOCAL POLITICAL INFLUENCE EXERTED THROUGH ECONOMIC POWER. MOST EXTREME COMMENT CAME FROM PROMINENT EDITOR WHO UNCLEARLY HINTED OVER GOVERNMENT-RUN RADIO STATION AT A CONNECTION BETWEEN PLANS DISCHARGE REDUNDANT WORKERS AND CIA MACHINATIONS. TO THE CALL FOR MAJORITY GOS PARTICIPATION, MINPRES ARRON SMOOTHLY REPLIED HE FAVORS THIS PROVIDED GOS HAS FINANCIAL MEANS BRING IT ABOUT.

6. SURALCO HAS RESPONDED AS BEST IT CAN TO DEMANDS THAT RETRENCHMENT BE CANCELLED -THAT PRODUCTION BE MAINTAINED AT NEAR-1974 LEVELS AND WORKERS BE RETAINED. MANAGING DIRECTOR OF SURALCO, PAUL BUSTION, TOLD ME, HOWEVER, THAT HIS EXPLANATIONS TO ARRON AND CAMBRIDGE OF THE MARKET-PLACE IMPERATIVES INVOLVED

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HAVE SO FAR FALLEN ON DEAF EARS, THAT THEY DO NOT SEEM TO WISH TO UNDERSTAND. HE HAS POINTED OUT TO THEM THAT GOS ALREADY IN RECEIPT OF LARGE ADDITIONAL REVENUES FROM BAUXITE, THAT THEY STILL STAND TO GAIN ABOUT DOLS 42 MILLION ABOVE LAST YEAR'S REVENUES IN ADDITION TO DUTCH DEVELOPMENT FUNDS, AND THAT RETRENCHMENT SPREAD OVER OTHER ALCOA OPERATIONS IN JAMAICA AND DOMINICAN REPUBLIC. MOREOVER, UNMINED BAUXITE REMAINS FOR FUTURE REVENUES. WHILE UNABLE PROVIDE ANY SATISFACTION ON LEVEL

OF PRODUCTION, BUSTION DID AGREE DELAY LAYING OFF WORKERS (ALL OF WHOM HIRED ONE YEAR OR LESS AGO) UNTIL NEGOTIATIONS WITH BAUXITE UNION CONCLUDED. HE FEARS ROUGH YEAR AHEAD, A PALL OVER SURALCO RELATIONS WITH GOS, AND INCREASING GOS EFFORTS INTERVENE IN OPERATION OF COMPANY.

7. COMMENT: PRODUCTION CUT-BACK AND REDUCTION IN FORCE HAVE COME AS MAJOR BLOW TO GOS WHICH LATELY WAS IN PUBLIC PRAISE OF SURALCO'S "GOOD CITIZENSHIP" AND PLACE IN COMMUNITY. THAT HAS NOT BEEN FORGOTTEN, BUT FRUSTRATIONS AND SUSPICIONS OF MODERATE MINISTERS INVOLVED IN VARIOUS FACETS OF BAUXITE INDUSTRY ARE REAL ENOUGH AND IT WILL BE MOST DIFFICULT FOR SURALCO TO ALLAY IMPRESSION THAT ALCOA COLDLY MOVING TO DEPRIVE GOS OF EXPECTED BAUXITE PROFITS. RE-TRENCHMENT CLEARLY WILL INCREASE DIFFICULTIES FOR SURALCO WHEN REQUIRED ANNUAL REVIEW OF REVENUE ARRANGEMENTS TAKES PLACE LATER THIS YEAR, WITH GOS LIKELY TEMPTED TO DEMAND GUARANTEED PRODUCTION LEVELS, INCREASED LEVY TO OFF-SET REDUCTIONS, OR BOTH, AND POSSIBLY SOME EQUITY PARTICIPATION IN COMPANY.  
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## Message Attributes

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